"Federation Corner" column
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**Show us the money that slots will bring**
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People are starting to pay close attention to the slots referendum on the November ballot. It is one of the most complicated and most manipulated issues ever to confront this state. I've done some research on the subject and recently testified on five points: 1) Maryland had slots from 1947-1969 but banned them; 2) Gambling revenue was considered recession-proof for decades, but is now down across the nation; 3) Gambling is incredibly addictive to a small percentage of the public who end up providing one-third of the profits to the gambling industry; 4) Maryland has one of the worst records in the nation for helping to treat gambling addiction; 5) Studies claim that gambling costs states 2 to 3 times what it brings in due to violent and economic crime, harm to families, and lost productivity.

This week, I will focus on the economics of gambling. Slots referendum supporters now claim that slots will net at least $660 million a year for the state. Currently, Maryland has the eighth oldest lottery in the nation, which netted it $529 million in the last fiscal year. A study in August 2007 titled: 'Slot machines and the Racing Industry: A Review of Existing Data in Maryland and Neighboring States', claims that Maryland residents spend about $375 million on slots in West Virginia and Delaware, netting $150 million to those states' treasuries. The author argues that this net revenue can be kept in Maryland if slots are legalized again. However, since this equals only 23% of the $660 million in promised slots revenue, where will the other $510 million come from? Is it expected to come from the residents of other states, from Maryland residents, or diverted from the Maryland lottery? There are numerous stories this year about how Pennsylvania slots are taking much income from Atlantic City casinos. New Jersey will do something about this just as the states that count on Maryland gamblers will want to keep or reclaim their gambling dollars that they might lose to Maryland slots.

Maryland currently ranks 11th in the nation for lottery sales per family, 14th in the nation for lottery revenue, 18th in the nation for all gambling revenue, and 19th in the nation for gambling revenue per resident. Maryland residents spend more per family on lottery sales than Pennsylvania residents, and not much less than Pennsylvanians in overall gambling revenue per resident. While gambling revenue per resident is three to four times higher in Delaware and West Virginia, these states, with their much smaller populations, count on visitors from other states for the bulk of their gambling revenue, just as Nevada has done for 75 years. In 2004, it was reported that more than 70% of Delaware's slots players came from outside Delaware. Marylanders already spend heavily on gambling just from playing the state lottery.

In 2007, Maryland was the richest state in the U.S. based on median family income. Delaware was 15th, Nevada was 19th, Pennsylvania was 23rd, and West Virginia was 50th. Maryland ranked 6th in per capita income in the nation. Delaware was 13th, Nevada was 14th, Pennsylvania was 20th, West Virginia was 50th. In 2005, Maryland ranked 3rd in the nation for income tax rates. Delaware was 13th, Nevada was 44th, Pennsylvania was 17th, and West Virginia was 26th. Maryland ranks 29th in the nation for its median real estate tax rate. Delaware is 47th, Nevada is 43rd, Pennsylvania is 9th, and West Virginia is 46th. Pennsylvania uses much of its gambling profits to give real estate tax rebates to its home-owning seniors. States like Delaware, Nevada and West Virginia, with high levels of gambling revenue per resident, also have some of the lowest income tax or property tax rates, or both. Out-of-state gamblers help make this possible.

A state like Maryland, generating so much wealth from the highest median income, based on one of the highest per capita incomes in the nation, also has among the highest income tax rates in the nation, although its state property taxes are closer to the middle. It was reported in 2004 that a 1998 tax cut: 'costs Maryland upward of $500 million each year in lost revenue.' By returning to the 5% state tax rate that existed prior to 1998, up from the current 4.75% rate - a 5.3% increase, Maryland could more reliably receive most of the revenue that slots would allegedly bring. State income taxes could also be made more progressive, in line with a much smaller income tax increase in 2007 for the wealthiest state taxpayers, thus sparing those earning much lower incomes. A progressive tax on income, unlike property taxes, is a tax based on one's actual ability to pay. When one considers the significant federal income tax and capital gains tax cuts of recent years, most Marylanders would still have an overall lower combined income tax bill as a percentage of income, compared to a decade ago, if the 5% state rate were restored.

Maryland has a competitive, growing economy with the 14th largest gross domestic product (GDP) among states, although it ranks 18th in population. Delaware's GDP ranks 39th, Pennsylvania's is 5th in GDP and population (but 20th in per capita income), and West Virginia ranks 40th. Maryland's poverty rate is 9.2% of the population, compared with Delaware at 9.6%, Pennsylvania at 11.2%, and West Virginia at 16.2%. If claims are true that those in poverty are among the most vulnerable to gambling addiction, perhaps it is also true that those states with higher poverty rates are also most vulnerable to the seemingly easy way to balance budgets with gambling revenue.

These various sets of meaningful numbers show that Maryland is economically stronger and thus different from its neighbors. So why must it mimic its neighbors by chasing after a relatively few gambling dollars that will really only add one more participant to a gambling arms race where ever greater spending will yield ever diminishing returns? Some of our less prosperous neighbors will believe that they need the revenue far more than us and they will work much, much harder to get it and keep it.

Those of us who managed to sit out the inflating and bursting of the dot com and real estate bubbles of the last eight years continue to feel lucky to have avoided yielding to the relentless pressure to do what seemed inevitable in those years based solely on the large number of confident participants. Could we now be in the midst of the last stages of inflating a gambling bubble?

Next week I will look at the debate over gambling addiction and how gambling interests have infiltrated one of the most prestigious institutions in the nation in their bid to rig research results for their benefit.

*The views expressed in this column do not necessarily reflect formal positions adopted by the Federation. To submit an 800-1000 word column for consideration, send as an email attachment to waynemgoldstein@hotmail.com*